

<p align="center">2005 - 2006 ANNUAL REPORT</p>

RESULTS OF OPERATIONS IN THE GENERAL FUND

The General Fund ended the year in a stable position. A final available ending fund balance of \$209.5 million was realized, as reflected in the following table:

GENERAL FUND BUDGET TO ACTUAL COMPARISON FOR THE YEAR ENDED JUNE 30, 2006 (\$000s)

	Revised Budget	Budgetary Basis Actual	Variance
<i>Sources</i>			
<i>Beginning Fund Balance*</i>	187,817	187,817	-
<i>Liquidation of Carryover Encumbrances</i>	-	772	772
<i>Subtotal</i>	187,817	188,589	772
<i>Revenue</i>	772,790	762,768	(10,022)
<i>Total Sources</i>	960,607	951,357	(9,250)
<i>Uses</i>			
<i>Personal Services</i>	519,302	508,115	11,187
<i>Non-Personal/Equipment/Other</i>	95,306	87,085	8,221
<i>City-Wide Expenses</i>	170,020	129,767	40,253
<i>Capital Contributions</i>	25,320	10,465	14,855
<i>Transfers</i>	6,432	6,432	-
<i>Reserves</i>	144,227	-	144,227
<i>Total Uses</i>	960,607	741,864	218,743
 <i>Available Ending Fund Balance</i>		209,493	209,493

* Includes an Encumbrance Balance of \$21.7 million

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RESULTS OF OPERATIONS IN THE GENERAL FUND (CONT'D.)

The actual ending fund balance of \$209.5 million exceeded the estimated ending fund balance level by approximately \$34.6 million. The elements of that variance are illustrated in the following comparison of estimate to actual chart. The estimated fund balance column represents the projections used to formulate the Beginning Fund Balance amount, included as a source of funding in the 2006-2007 Adopted Budget.

2005-2006 GENERAL FUND ENDING FUND BALANCE ANALYSIS (\$000s)

	Estimate	Budgetary Basis Actual	Variance
<i>Sources</i>			
<i>Beginning Fund Balance*</i>	187,817	187,817	-
<i>Liquidation of Carryover Encumbrances</i>	1,138	772	(366)
<i>Subtotal</i>	188,955	188,589	(366)
<i>Revenue**</i>	772,790	762,768	(10,022)
<i>Total Sources</i>	961,745	951,357	(10,388)
<i>Uses</i>			
<i>Expenditures**</i>	777,919	735,432	42,487
<i>Transfers</i>	6,432	6,432	-
<i>Reserves</i>	2,497	-	2,497
<i>Total Uses</i>	786,848	741,864	44,984
 <i>Available Ending Fund Balance</i>	 174,897	 209,493	 34,596

* Includes an Encumbrance Balance of \$21.7 million

** After adjusting for a net-zero \$13.6 million of grant and reimbursement related revenues and expenditures not received or expended in 2005-2006, but carried over to 2006-2007, the revenue variance resulted in a surplus of \$3.6 million and the expenditures variance actually totaled \$28.9 million.

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RESULTS OF OPERATIONS IN THE GENERAL FUND (CONT'D.)

The actual 2005-2006 liquidation of carryover encumbrance amount was \$0.8 million and reflects encumbered appropriations liquidated by the Finance Department during the period between the release of audited 2004-2005 financial statements and the end of the 2005-2006 fiscal year. Liquidation of prior year encumbrances results in a reduction in the obligations against the fund balance. These funds then become available for reappropriation. The estimate to actual variance of -\$0.4 million represents carryover encumbrance liquidations that occurred at a lower level than originally anticipated when formulating the fund balance estimate.

A detailed analysis of the significant variances between estimates and actuals for revenues, expenditures, transfers and reserves is provided in the following section.